



NASFAM

STRENGTHENING PROJECT (NSP)

MALAWI

Quarterly Report

January - March 2003

Report No. 10



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NASFAM 2002 - 2003

Association Management Centers

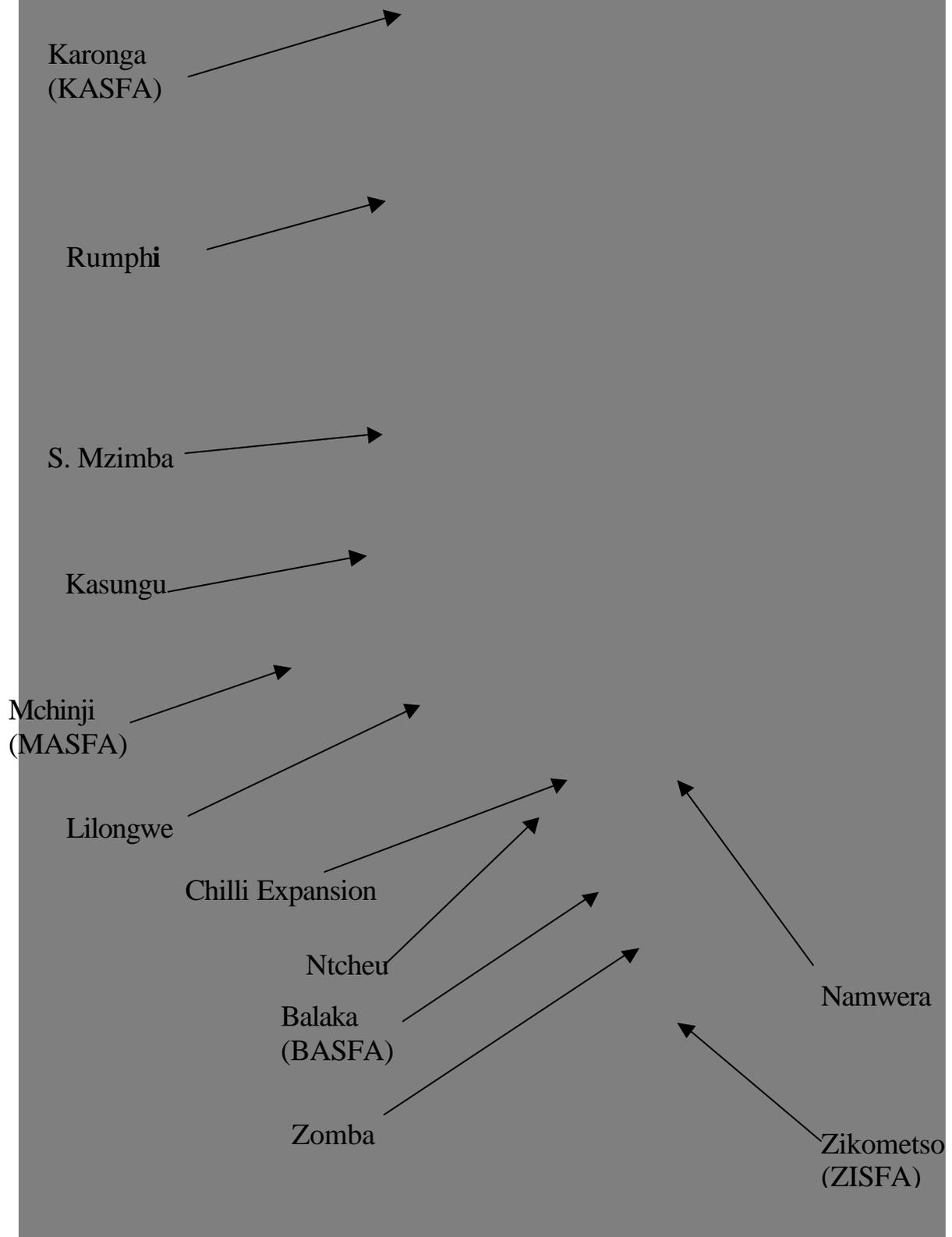


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List of Acronyms

ACDI/VOCA	Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
ADA	Agribusiness Development Advisor
ADC	Agribusiness Development Center
ADMARC	Agricultural Development and Marketing Corporation
AFM	Association Field Manager
AFO	Association Field Officer
AFSU	Audit and Financial Systems Unit
AGM	Annual General Meeting
BASFA	Balaka Smallholder Farmers' Association
BOD	Board of Directors
BOPs	Business Operations
CPMM	Crop Production and Marketing Manager
DANIDA	Danish International Development Agency
DEO	Data Entry Officer
EPA	Extension Planning Area
FCL	Full Container Load
GAC	Group Action Center
GM	General Manager
HRU	Human Resource Development Unit
IB	Intermediate Buyer
MAC	Marketing Center
MAI	Ministry of Agriculture and Irrigation
MISU	Management Information Systems Unit
MK	Malawi Kwacha
MOPs	Marketing Operations
MRFC	Malawi Rural Finance Company
MSA	Management Systems Advisor
MSB	Malawi Savings Bank
MUSCCO	Malawi Union of Savings and Credit Cooperatives
NASCENT	NASFAM Center for Development
NASCOMEX	NASFAM Commodity Marketing Exchange
NASDEC	NASFAM Development Corporation
NASFAM	National Smallholder Farmers' Association of Malawi
NBM	National Bank of Malawi
NORAD	Norwegian Agency for Development
NRR	NASCOMEX Regional Representative
NSP	NASFAM Support Project
PPU	Policy and Programmes Unit
PROSCARP	Promotion of Soil Conservation and Rural Production
QGM	Quarterly General Meeting
SADP	Smallholder Agribusiness Development Project
SAPU	Sustainable Agricultural Production Unit
TS	Technical Specialist

NASFAM Background

The National Smallholder Farmers' Association of Malawi (NASFAM) is the service arm of affiliated farmer business organisations. Over a period of just seven years, initially with support from USAID, and since FY2001, from NORAD, NASFAM has grown from a start-up concept to a farmer-directed business system based on individual participation of close to 100,000 Malawian smallholders, most of them farming on less than a hectare of land.

The evolution of NASFAM has spurred a quiet revolution in the progress of rural development in Malawi. NASFAM smallholders have become a force to be reckoned with. In 2002, NASFAM smallholders marketed over US\$16 million worth of cash crops. They have become the largest single traders on Malawi's Auction Floor; they are the major exporter of Malawi's Birdseye chillies and the major force for organisation of smallholder diversification efforts in groundnuts, paprika, soya and cotton. Other crops such as pulses and cassava are joining the NASFAM crop mix. And NASFAM has recently moved into value-added processing of crops such as rice, securing extra return and access to more stable retail markets.

NASFAM has also brought the power of collective bargaining to input and service supply. Through a rapidly increasing network of farm supply shops, NASFAM makes available a variety of farm inputs, the most prominent being fertiliser. NASFAM group contracts have halved many input costs, reduced produce delivery times and eliminated bribes.

NASFAM's contributions go far beyond crop production and marketing. NASFAM has been at the forefront in the set up and delivery of expanded financial services to rural areas. The commercial banking system has begun to onlend funds to smallholders through NASFAM. Under a strategic alliance with the Malawi Union of Savings and Credit Cooperatives (MUSCCO), NASFAM is working to make savings and lending services available to all smallholders within the NASFAM system. This will mean that by the year 2006, well over 125,000 smallholders will be active participants in the economic system and able to use their own savings to buy food, pay school fees and meet unexpected expenses. Many smallholder clubs will be able to buy their fertiliser using their own saved funds. Through an aggressive policy agenda, NASFAM works with its Associations to empower smallholder members by addressing issues of relevance to smallholders and rural development - from improvement of rural infrastructure, pricing systems and marketing mechanisms, community schools and health facilities to the protection of the legal rights of women and children.

1.0 Highlights for the Quarter January – March 2003

1.1 NASFAM gets Withholding Tax Exemption

After a long advocacy campaign, the government has finally granted a withholding tax exemption to all smallholder farmers growing and selling tobacco at the Auction Floors. This big success has boosted the morale of NASFAM members and attracted other farmers to join the NASFAM family as well.

1.2 Associations Receive Funding for Self-Help Projects

Eight NASFAM Associations have received funding from NASFAM to carry out self-help projects in their areas. The projects, mostly bridge repair and/or road construction are crucial for the success of the Associations' transport and marketing programs- due to start end March- as they will make these rural areas more accessible at a cheaper transport cost.

All the projects are matching grant projects where the Associations are contributing one-third of the total project cost, in labour costs and other locally found materials. NASFAM, on the other hand is providing hardware and technical expertise.

1.3 NASFAM and NORAD Sign a Partnership Agreement

NASFAM and the Norwegian Agency for Development recently signed a partnership agreement for grant support. The partnership, which is an extension of the existing one, will run from April 1, 2003 to March 31, 2006. The support is mainly for the capacity functions of NASDEC and member Associations and program support for NASCENT . A sub-grant was also given to MUSCCO for Associations' commercial activities such as value-adding activities.



NASFAM's Chairperson, Mr. Mphemo and Norway's Secretary of State for International Development, Mr. Olav Kjørven sign the NASFAM/NORAD Agreement in Lilongwe South

1.4 Gender/HIV programme

Regional Gender and HIV/AIDS training for Association Gender Sub-Committees have been completed, with a total of 139 members trained. Action plans have already been drawn by those trained to carry out training at their local Association level.

1.5 Technical Training

NASFAM management and Association field staff has initiated 330 training and business meetings since January 1, 2003 involving 21,000 farmer participants. Women attending these sessions represent 39% of the participants.

1.6 Crop Marketing Increases by 25%

This quarter wrapped up the crop-marketing season and the following volumes have been moved as of December 31, 2002:

NASCOMEX Crop Target Summaries – 2003 Season

Crop	Volume (kg)
Zikometso chillies	100,000
Balaka chillies	25,000
BASFA cotton	550,000
MASFA groundnuts	800,000
KASFA rice	500,000
Paprika (Mzimba, Rumphi, Kasungu)	50,000
Soya	500,000
Beans	50,000
Pigeon peas	100,000

Except for paprika, these targets indicate a significant increment ranging from 20- 60% as compared to last year's production.

1.7 NASFAM Fertilizer Programme Realises MK13 million in Association Commission

NASCOMEX completed sales of fertilizers in the month of February. A total of 8, 600 of the 9,500 MT were collected and as of 18th March 2003, 8,200 had been sold and paid for and a remaining stock balance was 401 MT as can be seen in the table below.

	CAN	UREA	23:21:00	D:Comp	Chitowe	Bags	MT
Contracted MT	3,420	950	2,565	2,565		190,000	9,500
Collected	2,714.10	2,407.45	1,577.55	1,810.80	164.50	173,488	8,674.40
Stock MT	21.65	115.7	0	248.5	16.1	8,039	401.95
Paid MT	2,714.10	2,250.42	1,577.55	1,530.90	147.95	164,418	8,220.92
MT to be paid	0	41.33	0	31.4	0.45	1,031	51.53
% Paid	100%	93%	100%	85%	90%	95%	95%

The program has been very successful with Associations realizing over 13 million Kwacha in commissions from their sales

1.8 Farm Input Supply Shops Increase Association Revenue

Association supply shops are becoming an important commercial activity with six new shops starting operations this quarter, bringing the total of Association shops to thirty-four. NASCOMEX has become the main supplier of shop commodities that include seed, treadle pumps, chemicals and hardware items. Gross sales of supplies to shops have exceeded MK12 million since the start of the year.

NASDEC has established direct relationships between itself and each of its Association owners. Each Association is a major client within the NASFAM portfolio and NASDEC organization development and crop production and marketing officers have been put into place to work with each Association. NASDEC provides direct, on-site technical assistance through a small cadre of regionally-based business, management, financial and agricultural advisors, who work hand-in-hand with Association committees, staff and members helping them deal with both strategic and day-to-day issues. Financial integrity is paramount to the operation of an effective business entity. Therefore, in addition to helping develop Association financial systems, financial advisors carry out audit functions; provide reports on financial performance and control system issues to Association governing committees and NASDEC management.

2.1 NASFAM Strategic Plan Assessments

During the quarter, NASDEC carried out an Association blitz programme where a team of representatives from NASDEC, NASCOMEX, and NASCENT visited and met all Association executive committees to discuss issues of Association sustainability. High on the agenda were issues of membership growth, Association business activities and income generating activities, usage of Association bylaws and policy manuals and the relationship between Association executive committees and the management.

This programme proved to be very useful and it is expected that this will be a periodic set activity for NASDEC in order to continue assessing the performance of the Associations against set targets under the NASFAM Strategic Development program.



Lilongwe North Joint Executive Committee Discussing the Sustainability Plan of their Association

2.2 Association Registration

NASDEC has contacted NASFAM's Lawyer, Mrs. Rose Kanyuka, to register Association as not-for-profit companies, starting with Mchinji and Kasungu as models of a single and joint Association business respectively.

2.3 NASDEC/Association Memorandum of Agreement (MOA)

NASFAM recognises the importance of clear contractual relationships between all entities in the NASFAM system. Memoranda of Agreement have therefore been put in place between NASDEC and member Associations setting down expected Association activities and outputs and technical and other NASDEC support offered to Associations. Marketing contracts have also been put in place between NASCOMEX and Associations covering product supply commitments and marketing arrangements. NASDEC staff visited all Association Management Centers and discussed with Executive Committees the content and context of these MOAs.

The terms of the MOAs were dependent on individual AMCs and special provisions were made on a case-by-case basis. This was a response to the mixed reactions that the MOAs received, particularly from AMCs whose revenue base is still quite small.

2.4 Association Quarterly General Meetings

During the quarter, Association QGMs were held in all Associations. Members discussed and lay down plans for the marketing season, looking at issues of transportation, post harvest handling and prices. The Associations also looked into issues of Farm Input Supply Shop management and operation.



QGMs Provide an Opportunity for Periodic Association Performance by the Membership

2.5 Association Offices

Office construction in Nyambi in Namwera has been completed and Nyambi Association now boasts of own office/shop/warehouse facility. The construction team is now working on the Karonga Warehouse and Mill House. This is expected to be completed by August, and not the earlier set June due to cement shortage around the area.



The Newly Constructed Nyambi Association Office Structure in Namwera

2.6 Expansion Programs

NASFAM is currently looking into the possibility of expanding area of operation into Billila and Sharpe Valley in Ntcheu, Kaluluma in Kasungu and Kabwazi in Lilongwe South. Management has advised that all expansion plans be put on hold, pending more detailed surveys on some vital information like production volumes, market situation and membership potential, which form benchmarks in setting up the associations. Consideration will be made after this marketing season.

2.7 Crop Damage and Assessment

Crops in Ntcheu, Balaka, Kasungu, Rumphu and Karonga were affected by heavy rainfall, flooding and hailstorms during the February – March period. Visits were made in Ntcheu Kasungu and Rumphu to assess the damage. In all the areas visited, the hail damage is extensive and will affect the loan repayment by majority of the clubs.

NASFAM has already informed all the lending institutions about the problem and its effect in loan repayment. Some of these have visited the affected sites to assess for themselves.

2.8 Association SACCO Operations

While there is mutual relationship with MUSSCO, the poor management of some SACCOs located in NASFAM field locations continue to affect the operations of the Associations. In Mzimba, members that made deposits into the SACCO account, expressed discontent when the SACCO ran out of money to give them loans. In Namwera, three Associations have savings accounts with SACCO for their shop income shop. However, due to lack of funds at the SACCO, the Association was failing to withdraw any money to buy stocks. This has affected the shop operations and NASDEC has presented these issues to MUSSCO for action

2.9 Crop Production

2.9.1 General

The weather situation was variable in most parts of the country affecting production in many ways. Heavy rains and flooding occurred in many of the Associations, while on the other hand, the Northern Associations were affected by near drought conditions, with the most affected being Kaporo North and South Associations.

The effect of the maize shortage was one of the most significant factors for anticipated reduced production of most of the crops marketed through NASFAM, with many farmers substituting cash crop area with maize.

2.9.2 Rice

Lack of rains has seriously affected the transplanting of rice. It is very unlikely that Karonga Smallholder Farmers' Association will meet the production targets this year. It is still unknown how much area has been transplanted and how much will establish in the field.



NASFAM's Kirobero Rice has Made a Name on the Market as the Best Aromatic Rice

2.9.3 Groundnuts

Production is not likely to be affected by the variable weather, and most Associations are likely to meet their production targets. Current estimates are at about 700 MT in total.

The NASFAM/ICRISAT collaboration agreement was finally materialized with the arrival of Dr. Moses Siambi (Agronomist) and Juan Estrada-Valle (Trade Economist). The two people reported to the NASFAM offices on 14 January 2003. They have already been introduced to some of the Associations involved in groundnuts in the Central Region. Visits are yet to be made to the Associations involved in pigeon peas, mainly in the Southern Region.

A groundnut production survey is currently underway to identify critical production issues to be addressed for increasing yields and production. The outcome will determine the nature of the groundnut production activities for the coming season.

2.9.4 Cotton

Production is expected to be lower than last year due to less planted area, and erratic rainfall in the Balaka area. The target of 750 is likely to fall below 600 MT.

2.9.5 Chillies

There is expected to be more production this year from last year. Estimates are 30 MT from Balaka chillies and 100 MT from Zikometso.

2.9.6 Paprika

Planted area has very significantly dropped from last year in Lilongwe, Kasungu, South Mzimba and Rumphu due to perceived low prices. Current estimates are at less than 30 MT.

Training for CPMs and AFOs on paprika production was conducted from 04-07 February 2003.

A joint program with Cheetah Malawi Limited was made to Namwera to assess the possibility of establishing winter irrigated paprika production. The facts are being analysed at the moment. If feasible, it is expected that about 100 farmers will be involved in planting an estimated 8 ha paprika starting in late March. That should realize about 5-10 MT of paprika on a pilot basis.

2.9.7 Soya

Production is likely to increase in Rumphu and South Mzimba Associations. Estimates are at over 300 MT combined in all the Associations selling Soya.

2.9.8 Pigeon peas

No estimates are available. These will only be available from the end of the 3rd Quarter.

2.9.8 Meetings:

- a. **Methyl bromide phase out task force:** Meeting were held in Salima on 11 January, and in Lilongwe on 28 February 2003 to evaluate the progress made on the phase out, and to review work plans for the 2003 season. The phase out has made positive progress in that the targets for phase out have been met, and even exceeded. Substitutes are metham sodium, Basamid® and floating tray systems.
- b. **SHOGA:** The offices were visited to explore possibility of reviving the initiation of organic production in NASFAM Associations. Problems still exist on certification of smallholder farmers. Follow up meetings will shortly be held with MEPC to facilitate registration if feasible.
- c. **POSAM and IFDC:** meetings were held to initiate training of the FISS clerks for capacity building in handling of pesticides in the FISS in compliance to legal requirements. The training is expected to take place from 18-19 March 2003.
- d. **ICRISAT/Chitedze Research Station/NASFAM:** The meeting was convened on 04 March 2003 in order to establish longer-term collaborative efforts on groundnuts and pigeon peas between the three institutions to avoid duplication of work.

2.10 Audit and Financial Services

The main activity for AFSU for the quarter was training of Internal Checkers and Treasurers to be able to carry out their functions more effectively. The regional AFSU teams visited all Associations with the mandate of checking that all the transactions done were in the interests and objects of the Association and under the Boards authority. They were also to prove occurrence and approval of the transactions and finally to document, analyze, and report on the operations and state of the accounts.

The Unit also employed some interns from the Malawi Polytechnic to assist setting up accounts for the Association farm Input Supply shops, and assist some Bookkeepers that were lagging behind on financial reports.

It was also noted that some Bookkeepers at some AMCs were lagging behind on financial reports and are therefore being assisted by AFSU Regional Representatives.

2.11 Personnel and Administration

Currently NASFAM has 95 employees, with 60% of these located in field offices. This is inclusive of 3 volunteers working in PPU, IDM and one who has started -based in Karonga, and 2 expatriate Advisors. The following are the developments in Personnel:

3.0 NASFAM COMMODITY MARKETING EXCHANGE (NASCOMEX)

The core marketing services business of NASFAM under its new framework is the NASFAM Commodity Marketing Exchange. As a for-profit production and marketing entity, NASCOMEX supports the ability of NASFAM Associations to market their products, meet their financing needs, develop new and value-added business opportunities and control access both to their own and to external markets.

3.1 Crop Marketing Operations

This quarter was a preparatory period for crop marketing and NASCOMEX was involved in negotiations with buyers of the different crops. This report will therefore concentrate on expectations for the 2003 marketing season, which is due to start in April.

3.1.1 Malawi Birdseye Chillies

Background

Now in its sixth year of operation, the Zikometso Association has three marketing zones in Phalombe, Thyolo and Mulanje, covering nine EPAs - each zone has its own committee and general assembly. About 260 clubs and 50 marketing centers (MACs) create the backbone of the market structure and the 5,700 farmer members produce more than 60 MT of chillies in the Association area of operation. The Association is managed through its own Board of Directors and has its own independent management structure.

The second Association producing chillies, Balaka Chillies Association is now in its second year of operation but was able to export for the first time last season. An office was opened in Balaka in FY2001 at the BASFA premises to kick-start a new chillies marketing operation in Nankumba/Chilipa and Ntaja areas. Both these areas have now become full Chapters with assigned AFOs to the areas. New clubs have been formed, and the old ones strengthened as Association Field Officers have carried out basic training in Association development and collective marketing techniques.

General

The two programmes Zikometso and Balaka Chillies Association have exported a total of eleven containers. The last container was a mixture of two grades: Grade A and Grade B, which left in September 2002. The entire Grade B was sold locally. Both Associations are gearing up for the 2003 marketing season.

Zikometso Association

Zikometso is expecting to market 105MT or 15 containers of Grade A. The Association is expected to start chili marketing by the last week of March 2003. So far MK1, 800,000 has been advanced to the Association as crop finance.

During the NASCOMEX/Association Board meeting a consensus price of MK120.00/kg was agreed. Currently the competition is offering price ranges of MK90.00 –MK100.00/kg. So far a contract has been signed with Noordhaven International trading but there are still possibilities of finding other buyers from South Africa or Australia.

Balaka Chillies Association

Balaka chili programme has already started marketing. The market was opened on 10 March 2003 and the Association has so far bought 1.5MT. The Association is expected to market 28MT or 4 containers. Balaka Chillies will also be buying at a price of MK120.00/kg as agreed with the Association Board. So far a total of MK700,000 has been advanced to the Balaka Chillies Association.



A Promising Crop of Chillies in Balaka

3.1.2 Cotton Marketing

Background.

The Balaka Area Smallholder Farmers' Association (BASFA) was formed in 2000 and now boasts of a club and farmer membership of 230 and 3,700 respectively. The first two seasons focused on direct delivery Programmes with farmers achieving “ginnery gate” prices that were 20% higher than farm gate prices.

General

Following the maize and food shortage last season, smallholder farmers in many areas including Balaka, decreased their hectrage grown to cash crops and increased their maize production. This, coupled with flooding that affected some areas in Balaka has resulted in a decrease of the production target from 750MT to 550 MT. However, the crop in the field still looks good as is evident by the photo below;

January – March 2003

NASCOMEX has started negotiations with the two major cotton buyers, Clark Cotton Malawi and Great Lakes Company. A draft Agreement has already been drawn between NASFAM and Clark Cotton. Depending on the offers BASFA might sell to one of the companies or both. NASCOMEX will however not buy from Bilira and Sharpe Valley areas as reported in the previous report. However, the possibility of doing so at a later stage is still there.



Improved Access to Quality Seed has Enables Association Members in BASFA Produce a Good Cotton Crop

3.1.3 Rice Marketing

Background.

The Karonga pre-Association (KASFA) was founded in June 2001 with its first pilot rice marketing programme starting in July of that year. Current membership stands as 289 clubs and 4,679 members. By August 120,617 kg of paddy were procured and milled, and by the end of last year, 64,000 kg of long-grain polished rice and 9,550 kg of broken rice were delivered to the care of NASCOMEX Marketing Operations Department for bulk and packaged sale.

In January 2002 NASCOMEX started the breakdown packaging of about 11 metric tonnes of Kaporo Kilombero rice into 1, 2 and 5 kg retail units and started wholesale operations with key high-end retailers in Lilongwe including Bisnowaty, Foodworth, Seven-Eleven, and Tutlas. This pilot effort proved highly successful and 25% more profitable.

January – March 2003

The Association has so far sold over 160MT of milled rice worth over MK7.2 million. Close to 110MT has been delivered to Blantyre Milling Co. at MK45.00/kg. However, two deliveries were rejected as the broken rice percentage was over the accepted level. Due to this, the Marketing Department was forced to discount the rice, which means a loss of revenues amounting to over MK100, 000.00. This problem has now been rectified as the Warehouse manager underwent grading training by Blantyre Milling Co.

To facilitate NASCOMEX own-milling, a mill is due to be installed in Karonga once construction of the warehouse and mill house is completed, possibly by August 2003.

13,183.MT has been sold as repacked rice in 1kg, 2kg and 5kg packets.

Type of rice	Kgs sold	No. of bags	Total sales
50kg super-cash	31800	636	1,500,000
50kg wholesale	107,340	2147	4,755,422
50kg broken wholesale	2360	47	47,200
50kg broken cash	6202	124.04	186,060
1kg packet	4227	4227	237,354
2kg packet	5106	1021	279,710
5kg	3850	770	201,878
Total	160,885		7,207,624

3.1.4 Groundnuts

Background.

The Mchinji Area Smallholders Farmers' Association (MASFA) was founded in March 2000 with 206 clubs and 4,024 farmer-members operating in 9 market centers. Over 183 metric tons was marketed the first pilot year in 2000 with a second "bonus" payment of K660,000. This bonus created considerable confidence in the Association style of marketing and membership grew considerably. Tonnage increased to 427MT for the 2001 season with an excellent first payment of K30/kg. Today MASFA boasts 17,000 farmer members, located in 768 clubs operating 40 market centers.

General

The crop on the ground looks very good and the general outlook predicts a very good groundnut year. The world groundnut prices are improving. NASCOMEX is currently looking at the possibility of exporting some containers to Europe or South Africa provided that MASFA can grade the nuts.

One of the buyers who were visited in Europe has been to Mchinji and Kasungu meeting the groundnut farmers, to assess if NASFAM qualifies for Fairtrade marketing.

January – March 2003

MASFA this season is targeting to market a total of 500 MT from the six chapters in the area. NASCOMEX will supplement this volume by buying from other Associations in Kasungu, Lilongwe and Ntcheu and also from non-members in Ntchisi. This year, NASCOMEX will seriously look into the issue of grading to be able to market into new and more profitable markets.

3.1.5 Soya Marketing

Background

Soya is fast becoming NASFAM's major secondary crop. During the 2002 season, four Associations - South Mzimba, Rumphi, Lilongwe South and Kasungu, marketed a total of 262 MT worth MK4.2 million.

General

Like groundnuts, the Soya crop is also looking very good and Marketing Department is expecting to market close to 500Mt of Soya this marketing season.

3.1.6 Paprika Marketing

Background

In June 2001, NASFAM signed its first contract with Cheetah Malawi Ltd to buy and sell all the paprika in the South Mzimba area. The season ended with 27,447 Kg of paprika sold to Cheetah valued at MK1,803,072.

January – March 2003

Again South Mzimba, Rumphi and Kasungu and Namwera Association are participating in this programme. Namwera will also take part in the Paprika Marketing Programme. However the tonnage expected to be marketed this year is much lower than the previous year. This is primarily due to low prices that were offered last year. The total estimated production has been reduced by about 50%.

One of the biggest problems that faced the Association last year was grading. Crops Department is managing grading training programme, to train Field Officers, buyers and farmers on Paprika grades.

3.2 NASCOMEX – BUSINESS OPERATIONS

3.2.1 Fertilizer

NASCOMEX completed sales of fertilizers in the month of February. A total of 8, 600 of the 9,500 MT were collected and as of 18th March 2003, 8,200 had been sold and paid for and a remaining stock balance was 401 MT as can be seen in the table below.

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Paid MT	2,714.10	2,250.42	1,577.55	1,530.90	147.95	164,418	8,220.92
MT to be paid	0	41.33	0	31.4	0.45	1,031	51.53
% Paid	100%	93%	100%	85%	90%	95%	95%

The program has been very successful with Associations realizing over 13 million Kwacha in commissions from their sales

3.2.2 NASFAM Fleet Services

The NASCOMEX fleet remained busy on construction and fertilizer programs. The two one-tonners were mainly used for supervisory roles and not for hire. However, they shall be resuming their post in Balaka and Zikometso once marketing has started to assist in produce buying and pooling.

3.2.3 Farm Supply Shop Central Procurement

Farm supply shops and central supply slowed down as there was a lot of money owing to NASCOMEX from the Associations. Currently a Consultant has been hired to review these shops and look at how to improve their performance. A full time position, responsible for Shop Operations has also been created in the Business Operations Department. During the quarter, NASCOMEX did a reconciliation and stock take of all Association Farm Input Supply Shops and meetings were held to sensitize managers and committees on the importance of remitting NASCOMEX funds in time and paying the outstanding balances.

3.2.4 Consignment Goods

Monsanto proved to be a welcome partner in the supply of seed. NASCOMEX sales of hybrid seed reached the highest level so far, with over 4 million Kwacha of maize seed sold this season.

4.0 NASFAM CENTRE FOR DEVELOPMENT SUPPORT (NASCENT)

The NASFAM Center for Development Support (NASCENT) has three Programme Units: Human Resource Development Unit (HRDU), Policy and Programmes Units (PPU), and Management Information Systems Unit (MIS). The Centre operates as a development resource provider, coordinating training and human resource development, information services, policy involvement and advocacy, communications and rural socio-economic development programmes. While most of their programmes directly target and benefit NASFAM farmers and Associations, many of their services also have an impact on the lives of most Malawian smallholder farmers. It is our intention that these non-affiliated farmer groups will become familiar with NASFAM concepts and benefits, creating eventual demand for further expansion.

NASCENT's mission is

“To operate an endowment that provides the NASFAM system with technical and financial resources for smallholder empowerment through capacity building and training activities, policy and advocacy, information management and communication”

NASCENT Vision

NASCENT UNIT	PROPOSED VISION
<i>Policy and Programmes Unit (PPU)</i>	<ul style="list-style-type: none"> • <i>A mouth-piece for smallholder Policy and Advocacy issues</i> • <i>A viable institute capable of raising funds for NASFAM and giving out grants to the associations</i> • <i>Crosscutting issues fully integrated in all NASFAM activities.</i>
<i>Human Resource Development Unit</i>	<ul style="list-style-type: none"> • <i>A center for Human Resource Development and source of revenue from training and consultancy programs extended to outsiders that may require our services</i>
<i>Management Information Systems</i>	<ul style="list-style-type: none"> • <i>A leading source of accurate and reliable information on the smallholders in Malawi</i>

4.1 Human Resource Development Unit

The primary goal of the HRDU is to build capacity for sustainability within NASFAM and its member Associations by training staff, management and the membership. During the quarter, the following training programmes were offered, either directly by HRDU or contracted out to external trainers.

(a) Domestic Training Programs

Workshop Title	Dates	Total	Male	Female
Committee Strengthening Training Workshops:				
• Zomba	January 13-17	60	50	10
• South Mzimba	January 20 –24	45	38	7
• Rumphu	January 20-24	58	42	16
• Mchinji	January 27-31	36	28	8
• Namwera	February 3-7	46	32	14
• Karonga	February 3-7	32	28	4
• Balaka Chillies	March 17-20	20	14	6
		297	232	65

(b) External Training Workshops

Training Title	Participants	Dates	Number of Participants		
			Total	Women	Female
Paprika Production (South)	AFOs & CPMMS	14–17 January	18	17	1
Paprika Production (North)	AFOs & CPMMS	6–7 January	17	17	0
Plant Nutrient, Crop Protection, Fertilizers –Usage, Safe Handling and Distribution	FISS Clerks	18–19 March	32	30	2
Crop Production	CPMMS	17–21 February	11	10	1
			78	74	4

4.2 Policy and Programmes Unit (PPU)

4.2.1 NASFAM Policy program

The NASFAM system has provided the smallholder network in the country with the ability to have a voice and contribute to national development. Smallholder empowerment has meant the ability of NASFAM members and the broader smallholder community to see themselves as an engine for change rather than the object thereof.

NASFAM has developed a policy agenda based on consultations throughout the entire NASFAM system and with key stakeholders. During the quarter, Association Executive Committees have been discussing the 2003 NASFAM Policy Platform and making their contribution to the platform. It is expected that the Platform will be presented during the next quarter at a Policy Symposium to be held in Lilongwe. The Association Executive Committees have also received training and sensitization on their role in policy and advocacy at the local community or district level.

The Platform highlights key policy impact areas, outlining issues affecting smallholder livelihood, specifying impacts, NASFAM stance and specific action to be taken. Currently, the NASFAM Policy Platform addresses four key policy impact areas: smallholder accessibility to financial services; marketing and pricing mechanisms; rural agricultural commercialisation and rural infrastructure. With ever-changing economic and social challenges, the NASFAM Policy Programme will continue to be crucial to the success of the NASFAM business system.

As reported in the previous report, the NASFAM policy advocacy programme concentrated on Withholding tax issues with the Malawi Revenue Authority, where NASFAM was advocating for a Withholding tax exemption for smallholder farmers selling on the Auction Floors. This was because NASFAM established from its database that these smallholder farmers earn less than the taxable threshold of MK36,000 per annum. After long discussions and press campaigning on the matter, the government has finally granted a withholding tax exemption to all smallholder farmers growing and selling tobacco at the Auction Floors. This big success has boosted the morale of NASFAM members and attracted other farmers to join the NASFAM family as well.

In a move to encourage smallholder savings, NASFAM is discussing with the Malawi Savings Bank about the possibility of using the bank for individual members to open accounts and save their money with the bank. A pilot project may start in Namwera and Rumphi. These areas are running the earlier pilot where MSB is receiving members' sales proceeds; and instead of withdrawing all their money immediately after receipt, the individual members will open accounts and the money will be transferred to these accounts for future withdrawals.

4.2.2 Gender and HIV/AIDS Program

Four Gender and HIV/AIDS Regional Training of Trainers Workshop were conducted during the quarter, where all Associations' Gender Sub-committees and Gender Officers were trained and action plans developed. The training concentrated on informal approaches to gender and HIV/AIDS awareness campaigns, and it is expected that the members trained will now take the responsibility of integrating these key issues in their Association activities and programs. It is expected that this approach will take sensitization much closer to farmer members than previously when sensitization only targeted Association leaders and was mostly done by head office staff.

Dates	Venue	Associations
10 – 13 February	NRC - Lilongwe	Mchinji, LL South and North, Ntcheu Associations
25 – 28 February	Ekwendeni	S. Mzimba, Kasungu and Rumphi
10 – 13 March	Liwonde	Balaka and Namwera
18 – 21 March	Zomba	Zomba and Mulanje Associations

A proposal has been developed for gender and HIV/AIDS training workshops with Associations Committees members (1 – 2 days) to be organized by Associations. This will begin with Associations in the North that were trained first in March/April.

4.2.3 Associations Receive Funding for Self-Help Projects

Eight NASFAM Associations have received funding from NASFAM to carry out self-help projects in their areas. The projects, mostly bridge repair and/or road construction are crucial for the success of the Associations' transport and marketing programs- due to start end March- as they will make these rural areas more accessible at a cheaper transport cost.

All the projects are matching grant projects where the Associations are contributing one-third of the total project cost, in labour costs and other locally found materials. NASFAM, on the other hand is providing hardware and technical expertise.

4.2.4 Food Security Issues

The NASFAM food security policy has been revised with specific plans and programs/activities to be carried out by NASFAM and member Associations. The policy concentrates on crop and food diversification as well as income generation as key means to achieving food security. Innovative programs like village food banks are also planned under the new approach. Only for critical food shortage areas/periods are free input and food distribution mentioned.



A proud member from Mchinji Association showing off her food production

4.2.5 Communications

4.2.5.1 Publications

The **crop bulletin** - a single page, two-sided, mini-newsletter has proved to be very successful and will continue this year. It is prepared quickly and distributed in a timely manner to farmers producing and marketing specific crops including coffee, chillies, groundnuts and cotton. Its main purpose is to provide timely production information and market news to farmers. The crop bulletins are produced in English (for staff) and the relevant local language for the membership.

The following bulletins were produced during this quarter:

- ❑ **Chili Bulletin** produced in English and *Chichewa* and distributed to all chili clubs.
- ❑ **Groundnut Bulletin (Kamtedza)** produced in English and *Chichewa* and distributed to all groundnut farmer clubs in NASFAM.
- ❑ **Rice Bulletin** produced in English and *Chitumbuka* and distributed to all rice growing members.
- ❑ **Cotton Bulletin** produced in English and *Chichewa* and distributed to all chili clubs.

Titukulane newsletter

The **Titukulane newsletter** for this quarter has been published in English, Chichewa and Chitumbuka (6,000 total for each publication run). The newsletter is published on a quarterly basis and is distributed to clubs of member Associations.

4.2.5.2 Promotion

NASCENT continued to produce *Farmer Profiles*, emphasising on personal benefits that individual members have experienced since joining the Association, as a way of encouraging other farmers to join the Associations, and provide supporting evidence to our donor and other partners. The profiles have been produced in both English (for distribution to our donors and other partners) and *Chichewa* (for distribution to farmer members and potential members).

New NASFAM brochures have also been produced and printed. These explain the three companies and their objectives/activities. They are yet to be translated to vernacular for distribution to potential members.

4.2.5.3 NASFAM Radio Programs

NASFAM works closely with the Agriculture Communications Branch of MAI for the production and broadcasting of educational and informational radio shows. Various shows were produced this quarter covering various topics on crop production, farm management, policy issues, marketing news and Association news. NASFAM is looking into the possibility of having its own-sponsored slot on the farmers radio programs on the national radio stations to allow for greater control and usage.

4.3 Management Information Systems

The Management Information Services Unit is responsible for internal and external information systems and data processing. This includes the production, collection, database creation and reporting. MIS also participates in Monitoring and evaluation of programs and indicators working in close collaboration with Policy and Programs Unit. The unit's purpose is to feed information in a timely and organized fashion to all other units and offices in the organisation.

A key activity is to establish a two-way flow of information between Associations and NASFAM through the NASFAM Tracking System (NTS). A comprehensive data storage-retrieval and reporting system has been set up, (although not finalised) and this has greatly expanded NASFAM capabilities in management and marketing systems. All AMCs are capturing membership data for the season into the NTS. So far 3 AMCs have completed the exercise for the old club members. These include Mulanje, Karonga and Rumphu.

The Unit is also involved in frequent monitoring of Data Entry Officers activities and software and hardware requirements at both the AMCs and Head Office.

5.0 PARTNERSHIPS

5.1 NORAD Grant

The proposal from phase II to commence 1st April 2003 for 3 years was approved and we signed an agreement on 12th March, 2003. Details of the support are in the financial report. The Board Chairperson, Mr. Mphepo signed on behalf of NASFAM and the State Secretary from Norway Mr. Olav Kjørven signed on behalf of the Norwegian government.

5.2 USAID: NSP Project Grant

USAID has given their comments and suggestions into the proposal, which we submitted for continuation of support after September 2003. USAID/Malawi is most interested in supporting the development of NASCOMEX and improving increased access to high-value crops by smallholders. USAID is much less interested in supporting NASCENT social development activities. That is, USAID/Malawi wishes to continue to primarily support efforts by NASFAM to link more and more smallholders to lucrative markets for high-value products. .

5.3 HIVOS

The Humanist Institute for Development Cooperation (HIVOS) has received our proposal and are planning a visit to Malawi soon for further discussions.

5.4 Canadian Cooperatives Association

No feedback has yet been received from Canadian Cooperative Association for possible funding.

5.5 Strategic Partnerships

NASFAM has embarked on a groundnut programme with ICRISAT in order to improve the quality of the nuts but also to access groundnut export markets. The acting Marketing Manager and the ICRISAT Technical Adviser went on a groundnut marketing trip to England and Holland, where they met groundnut buyers. The responses were generally positive and the possibility of exporting this year is high.

5.6 Board Representation

NASFAM continues to sit on the following Boards/Committees

- Natural Resources College
- Malawi Environmental Endowment Trust
- Malawi Agricultural Sector Investment Programme
- Food, Agriculture and Natural Resources Policy and Advocacy Network
- Tobacco Control Commission
- The Cotton Technical Working Group (to start up proposed Cotton Council)

6.0 Project Planning, Reporting and Monitoring

6.1 Planning, Monitoring and Reporting.

The planning, monitoring and reporting programme for NASFAM is extensive. An annual strategic development planning workshop is held once a year for top-level NASFAM management to review ongoing programmes, plan for new initiatives, and develop new concepts. This workshop is supported by four follow-on Association management meetings held periodically, where Association Managers and Regional Representatives link up with head office Programme Managers to discuss programme and administrative issues.

The NASFAM head office meets bi-weekly by company (NASCENT and NASCOMEX) to discuss assignments for the week and coordinate on-going activities. Each Regional office and Association management team also meets on a weekly basis to review progress and plan for the week's activities.

The NASFAM Executive Committee meets at least once a month and on a needs-be basis to form a consensus-based decision making process, to maintain effective communication, and to develop a personable and professional working relationship between NASFAM leadership and Technical Advisors. The Executive Committee is made up of the CEO, Executive Director of NASCENT, the General Manager of NASCOMEX and the Financial Director. The ACDI/VOCA Technical Advisor also maintains a seat on the Committee.

Planning and reporting procedures at the Association level start with the development of the Annual Work Plan, now done in coordination with the Regional Support Teams. Association management also compiles Quarterly Action Plans that are reviewed and adjusted weekly. Association business reports are submitted monthly to NASFAM Head Office. NASFAM also prepares an Annual Work Plan, and progress reports on activities are prepared quarterly and annually.

Planning, Reporting and Monitoring

<u>Association Level</u>	Annual Work Plan and budget	Two weeks before Programme Year
	Quarterly Action Plans	Oct-Dec/Jan-Mar/Apr-Jun/Jul-Sep
	Weekly Planning and Monitoring Meetings, w/Association Management	Held either Monday or Fridays
	Monthly Business Reports	Submitted first week of following month
	Committees meet monthly, Coordinator member of Committee	Monthly
	Association General Assembly meets Quarterly for activity planning	Four per year, every quarter
	Association Meets for AGM: Elections, Work Plans, Budget, Annual Report,	Annually – end of FY
<i>NASFAM Office</i>	Annual Work Plans	To start October 1
	Quarterly Reports	Submitted first week of Jan, Apr, July, Oct
	Annual Report	Oct - Sept; Submitted November
	Annual and monthly financial reports	FY start October 1
	Frequent Field Visits to Associations	Throughout the year
	Field Management Meetings	Four per year, every quarter
	Executive Committee Meetings	Weekly; needs-be basis
<u>Regional Team</u>	Regional Representatives prepares Quarterly Report; assists Association in the preparation of their plans, budgets and reports	Every quarter,
	NASFAM Audit Team Audits Associations, trains bookkeepers, prepares annual report; team reports to committees	Every quarter, report is annual
<i>Board of Directors</i>	Board Meetings; GM reports	Four per year; every quarter
	Attend Association Meetings	As scheduled
	Review and Inspect new Associations	As scheduled
	Approve Auditor; receives audited report	End of FY
<i>NASFAM General Assembly</i>	General and Annual General Meetings. At AGM: Annual Work Plans and Budgets discussed; Annual Report and Annual Financial report reviewed, elections held	June and December